

INTRODUCTION OF LEGISLATION
TO CREATE THE "WORKER'S IN-
COME TAX CREDIT"

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 7, 2001

Mr. LaFALCE. Mr. Speaker, today I introduce legislation to provide substantial tax relief to all Americans through the Worker's Income Tax Credit. In brief, this bill will create a refundable tax credit equal to 6.2% of wages, up to a maximum of \$350 per earner. For couples, the credit is computed per earner, for a maximum credit of \$700 per couple.

I believe any tax cut plan should pass two requirements: it should be fair, and it should be fiscally responsible. This proposal meets both standards. The Worker's Income Tax Credit provides a tax cut to all workers, but provides the most relief to those who need it most—middle and lower income workers. And it does so without undermining fiscal responsibility. This proposal will cost less than \$440 billion over ten years, leaving enough surpluses to achieve the goals of debt reduction and meeting critical investment needs.

"The Worker's Income Tax Credit Is Fair and Simple"—All workers, rich and poor, will benefit from this tax cut. But the relief will be greatest for those whose tax burden is most onerous—middle and lower income working families. The vast majority of the tax cut's benefits would accrue, not to the wealthiest 10% of tax payers, but to the remaining 90%. Compare this to President Bush's version of tax fairness and equity. When fully phased in, the \$2.1 trillion Bush tax plan would deliver half of all its benefits to the wealthiest 5% of taxpayers. President Bush may hold up highly-stylized examples of waitresses and lawyers who will benefit from his tax cut, but in reality, it will tax a legion of tax lawyers to determine who qualifies and who doesn't for the Bush tax cuts. But the complexity of his plan can not obscure the basic fact of where most of the money goes—and it doesn't go to the waitresses of this country. For example, while the lawyer earning \$200,000 in President Bush's example would receive a tax cut of approximately \$3,100 a year, a waitress who is married with family earnings of \$25,000 would receive absolutely no benefits from the Bush tax plan.

Low-income workers will benefit from the Worker's Income Tax Credit because the credit is refundable. A full-time minimum wage earner would qualify for the full \$350 credit, and a couple working at minimum wage would receive a \$700 credit. But the benefits are not limited to low-income workers. Anyone earning more than \$5,600 a year would qualify for the full credit, and those earning less would receive a partial credit.

"The WITC is a better alternative to President Bush's Marginal Rate Cuts"—Because a majority of Americans pay more in payroll taxes than they do in income taxes, adjustments to marginal income tax rates will not provide significant tax relief to most taxpayers, and particularly to lower and middle income workers. In focusing on marginal rate adjustments, particularly at the high end, President

Bush makes our tax system more regressive, favoring wealthier taxpayers over middle and lower income workers. While the bottom 40 percent of the population would receive just 4% of the Bush tax cuts, the wealthiest 1% of taxpayers would receive 43% of the total tax cuts. The Worker's Income Tax Credit does just the opposite, favoring lower and middle income workers over the wealthy by extending a refundable credit to all workers, even when they face little or no income tax liability.

"The Worker's Income Tax Credit will alleviate the Marriage Tax Penalty"—There is considerable support in this Congress for addressing the marriage tax penalty. I am strongly in favor of achieving a workable solution to addressing this problem in the tax code, but I would also offer the Worker's Income Tax Credit as a means of providing some relief from the penalty. In short, the tax credit is doubled for two-earner married couples. As a result, it will provide relief from the additional tax burden that two-earner couples face as a result of being married.

"The Worker's Income Tax Credit is fiscally responsible"—The tax credit will cost approximately \$440 billion over ten years, less than 1/4 the estimated cost of the Bush tax plan, which has grown to exceed \$2 trillion by recent estimates.

Given current and projected budget surpluses, it is appropriate to provide taxpayers with significant tax relief. However, favorable surplus estimates do not give us license to pursue an irresponsible fiscal policy. We worked hard during the 1990's and made painful budget decisions to achieve the surpluses we now enjoy. It would be tremendously irresponsible to squander that effort before we achieve our debt reduction and federal investment goals.

The total cost of the broad-based Worker's Income Tax Credit is modest enough that it could be combined with other reasonable tax cut priorities. I have suggested that a reasonable tax package would not exceed \$700–\$800 billion over ten years, allowing room for passage of a number of other tax cut priorities in addition to the Worker's Income Tax Credit.

Mr. Speaker, if we can all agree on the principles of fairness and fiscal responsibility in considering any tax cut, then I hope we can also agree that the Worker's Income Tax Credit is an excellent means of providing tax relief to the American people this year.

The text of the bill follows:

H.R. —

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Worker's Income Tax Credit Act of 2001".

SEC. 2. REFUNDABLE CREDIT FOR INDIVIDUALS BASED ON EARNED INCOME.

(a) GENERAL RULE.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

"SEC. 35. WORKER CREDIT.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year the amount equal to 6.2 percent of the sum of—

"(1) the individual's wages, salaries, tips, and other employee compensation includible in gross income, plus

"(2) the individual's earned income (as defined in section 401(c)(2)).

"(b) LIMITATION.—The amount allowed as a credit under subsection (a) to an individual for any taxable year shall not exceed \$350."

(b) CONFORMING AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by inserting "or from section 35 of such Code," after "1978,".

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by striking the last item and inserting the following new items:

"Sec. 35. Worker credit.

"Sec. 36. Overpayments of tax."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

RECOGNIZING 90TH BIRTHDAY OF
RONALD REAGAN

SPEECH OF

HON. JOHN B. SHADEGG

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, February 6, 2001

Mr. SHADEGG. Mr. Speaker, today we celebrate President Reagan's birthday. Although he left office more than 12 years ago, after eight years of distinguished service as our Commander in Chief, Americans today continue to benefit from the fruits of his hard work. It is for that reason I rise to honor Ronald Reagan on his 90th birthday.

During the 20th Century America witnessed the rise of a handful of great leaders. From Theodore Roosevelt to Franklin Roosevelt to John Kennedy, America rose to prominence—she expanded internationally, built the Panama Canal, overcame a Great Depression and fought two world wars. However, it was under Ronald Reagan that America achieved her true greatness.

President Reagan was a common man who, unlike many who came before him, entered politics at a later stage in life. He did so because of a belief that the country was headed in the wrong direction. A common man who touched every American, Ronald Reagan used his charm and steadfast beliefs to right the direction and shape the United States into the great country she is today.

President Reagan turned around the public perception of government, sparked economic growth, restored the military, won the Cold War and restored our faith in America.

My first memory of Ronald Reagan dates back to 1964 when Ronald Reagan spoke to the country on behalf of the Republican candidate for President that year—Senator Barry Goldwater of Arizona. On a personal note, my father, Stephen Shadeegg, worked for Senator Goldwater during the 1964 presidential campaign. This afforded me the opportunity to experience, first-hand, what a true visionary and leader Mr. Reagan was. Ronald Reagan gave a speech on behalf of Senator Goldwater that year. It later became known as "A Time for Choosing." Many of the points he raised in

that speech I hold dear and use to guide my judgment while serving the citizens of my District and the state of Arizona.

In that speech President Reagan spoke of several principles Republicans, indeed all Americans, continue to hold dear. The first principle is personal freedom. Ronald Reagan quoted James Madison when he stated that the Framers of the Constitution, "base[d] all our experiments on the capacity of mankind for self-government." He was correct: Each person should be able to live with the freedom that the Constitution guarantees. Ronald Reagan spent every day in office seeing to it that this principle was advanced and defended.

The second principle that President Reagan advocated was that the government is beholden to the people. Not the reverse. He stated: "This idea that the government was beholden to the people, that it had no other source of power is still the newest, most unique idea in all the long history of man's relation to man."

"This is the issue of this nation: whether we believe in our capacity for self-government or whether we abandon the American Revolution and confess that a little intellectual elite in a far-distant capital can plan our lives better than we can plan them ourselves." Therein lies the essence of President Reagan. Personal choice should not be a right or a gift. Rather, left to their devices, the American people would grow the economy, improve our schools, save for the future and have personal flexibility to achieve those goals. Ronald Reagan showed us the way. We, the American people, proved him right.

During the speech, he also asked: "Are you willing to spend time studying the issues, making yourself aware, and then conveying that information to family and friends?" He continued: "Will you resist the temptation to get a government handout for your community? Realize that the doctor's fight against socialized medicine is your fight. We can't socialize the doctors without socializing the patients. Recognize that government invasion of public power is essentially an assault upon your business. If some of you fear taking a stand because you are afraid of reprisals from customers, clients or even government, recognize that you are just feeding the crocodile hoping he'll eat you last." Truer words have never been spoken, Mr. Speaker. In fact, these words ring true today.

Mr. Reagan extended his vision to a third principle—the economy and the tax code. His belief in lower taxes and private enterprise was based upon the idea that each individual best knows how to spend their money and manage their store. Like the Founding Fathers, President Reagan believed that government control of any enterprise leads to control of the people who run them. How correct he was when he stated:

"The Founding Fathers knew a government can't control the economy without controlling the people. And they knew when a government sets out to do that, it must use force and coercion to achieve that purpose. So we have come to a time for choosing. Public servants say, always with the best of intentions, 'What greater service we could render if only we had a little more money and a little more power.'"

But the truth is that outside of its legitimate function, government does nothing as well or as economically as the private sector."

President Reagan led by those principles. His faith in the individual, belief in free enterprise, and unending conviction in providing freedom of choice in everyday decisions helped to restore the "great, confident roar of American progress, growth and optimism." The "choice" was right then. It is right today. Yet, we must continue to fight for these principles today.

In his farewell address in January of 1989, President Reagan modestly summed up his eight years in office, "All in all, not bad, not bad at all." Well, Mr. Speaker, I believe this is more fitting of his overall contribution to the American public: "All in all, not bad, not bad at all." Happy Birthday Mr. President. We salute you.

IMPROVING EDUCATION THROUGH THE THREE R'S

HON. SUSAN A. DAVIS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 7, 2001

Mrs. DAVIS of California. Mr. Speaker, there is widespread agreement that improving education must be our priority in this session of Congress. Fortunately, there is bipartisan agreement about much of the thrust of a program to use our surplus to substantially increase funding for programs that will reach the poorest students.

An important area that we must work on, however, is how to deal with schools where children are not succeeding in learning. As a member of the California Assembly's Education Committee, I worked with my colleagues on both sides of the aisle to address this issue. The program which was put in place makes very clear rewards for schools which demonstrate improvement for students at all levels of achievement.

But what happens where a school doesn't improve? This is the important difference. We do not propose using critical funds in the Title I program for low income students to offer a portion of the cost for a child to seek private education. Instead, the failing schools themselves must be changed—through focusing professional development dollars on the principals and teachers or, if necessary replacing the leadership altogether. No school should be allowed to fail.

One of the most critical elements of the New Democrat proposal for the Three R's, therefore, is investment in recruiting, training, and retraining teachers. We must do our best to support our professional educators. Every child has a right to an excellent teacher.

FARMERS NEED A SAFETY NET IN ADDITION TO FLEXIBILITY

HON. DOUG BEREUTER

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 7, 2001

Mr. BEREUTER. Mr. Speaker, this Member commends to his colleagues the following edi-

torial from the February 2, 2001, Omaha World-Herald. The editorial highlights the challenges in developing a workable agriculture policy which maintains flexibility while providing farmers with assistance when needed.

"FREEDOM" NOT IN FARM LAW

The time is at hand for the U.S. government and the Americans involved in production agriculture to decide how they're going to coexist for the next few years. For farmers, in addition, there is the matter of how to survive in a world in which their product is often available in income-depressing surplus.

Freedom to farm, the tag line given to the 1996 federal farm policy, came along at an inopportune time. The original plan—an end to federal crop subsidies as of next year—turned out to be impractical. Something else is needed.

The underlying philosophy was worth a try. Agriculture was stagnating under the old system, in which farmers received subsidies for planting a specified number of acres to a specified crop. The 1996 idea was to de-link subsidies from planting decisions for a half-dozen years while continuing the flow of cash in the form of transition payments.

This was "freedom to farm." At the end of the transition period, the subsidies would theoretically dry up. Farmers, having tailored their production to maximize their income from the marketplace, would theoretically be ready for financial independence.

Now, with the transition period nearing an end, agriculture's ability to take that next step is more than a little doubtful. It turned out that even a relatively deregulated grain-producing industry couldn't respond in time to take advantage of fast-changing market conditions. As the Asian currency crisis worsened in the late 1990s, American farmers were stuck with huge piles of grain they had produced on the theory that the Pacific Rim boom would be sustained into the new century. From planning to planting to harvest takes many months. When conditions change, it's too late if the crop is in the ground.

The transition payments, instead of descending as planned, have skyrocketed. Since 1996, when the total was \$7 billion, the amount quadrupled. This year's \$28 billion constituted half of all the revenues that farmers received from their operations.

This isn't healthy. But the best idea to come out of a federal panel, created to monitor the outcome of the 1996 approach, is a new variety of subsidy to provide income maintenance for farmers when hit by sagging market demand for their products.

Subsidies have a downside. They keep inefficient operations from being squeezed out by efficient competitors. This creates a self-fulfilling cycle. Inefficiency intensifies the demand for subsidies, leading to more inefficiency.

Subsidies, in addition, sometimes undermine the political support for agriculture in parts of the country where the Midwestern corn-wheat-cattle-hogs economy is not well understood. Eastern commentators include farms among the recipients of corporate welfare. They seem to forget that subsidies have been part of a cheap-food policy under which Americans pay a lower percentage of their income for food than is possible in nearly any other part of the world.

So the aid the government has given to agriculture is not necessarily bad. Indeed, former Secretary of Agriculture Dan Glickman said the alternative would have been chaos in rural America last year. And the